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Business Tax Tips For Bookkeepers

Marcia Elashuk

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BUSINESS TAX TIPS FOR BOOKKEEPERS

MARCIA ELASCHUK

DFA-Bookkeeping Services Specialist,
Bookkeeping Course Manager, Knowledge Bureau

Featuring Recent Tax Issues Every Bookkeeper Should Know



Today's speaker



Marcia Elashuk

DFA – Bookkeeping Services Specialist

Bookkeeping Course Manager, Knowledge
Bureau

ABOUT KNOWLEDGE BUREAU

OUR STUDENT BODY

- **Over 440,000** online course module registrations leading to CE/CPD credit
- **Over 17,100** Knowledge Bureau Report subscribers
- **Over 18,900** Technical training certificates issued
- **Over 10,100** CE Summits & Distinguished Advisor Conference attendees
- **Over 9,200** Active certificate course students in diploma and designation programs
- **Over 1,540** Distinguished Financial Advisor™ and Master Financial Advisor™ Designation program students

OUR MISSION

- Canada's premiere national education institution in the tax & financial services
- An academic path to **CE/CPD** and **specialization** opportunities:
 - **DFA-Tax and Bookkeeping Specialist™** designations and
 - **MFA™ Business, Retirement & Estate Services** designation programs
- New! Programs for Business Leaders:
 - **Real Wealth Manager (RWM™)** and
 - **Executive Business Builder (EBB™)**

ACCREDITATION & BLENDED LEARNING

- **Online:** Earn Professional Credentials
- **In-Class:** CE Summits and DAC



CALENDAR OF EVENTS 2018

PEER-TO-PEER LEARNING – NEXT CE SUMMITS

SPRING SUMMITS POST-BUDGET ACTION STRATEGIES

REGISTRATION DEADLINE – MAY 15, 2018 – Save up to 45%

- May 29 – Winnipeg
- May 30 – Calgary
- May 31 - Vancouver
- June 6 - Toronto

FALL SUMMITS - YEAR END PLANNING- INVESTORS & BUSINESS

REGISTRATION DEADLINE – OCTOBER 15, 2018

- Nov 2 – Winnipeg
- Nov 5 – Vancouver
- Nov 6 - Calgary
- Nov 7 - Toronto

THE CHANGING FACE OF COMMUNITY: Collaboration with Impact

EARLY REGISTRATION SAVINGS TO MARCH 15 – SAVE 28% - BRING SPOUSE!

DAC



DISTINGUISHED ADVISOR CONFERENCE • NOV. 11-14, 2018

NEW: BUSINESS BUILDERS RETREAT

What are the business issues that concern you that you can't speak to your spouse or employees about?

Human Resources?

Contract Law?

Business Planning?

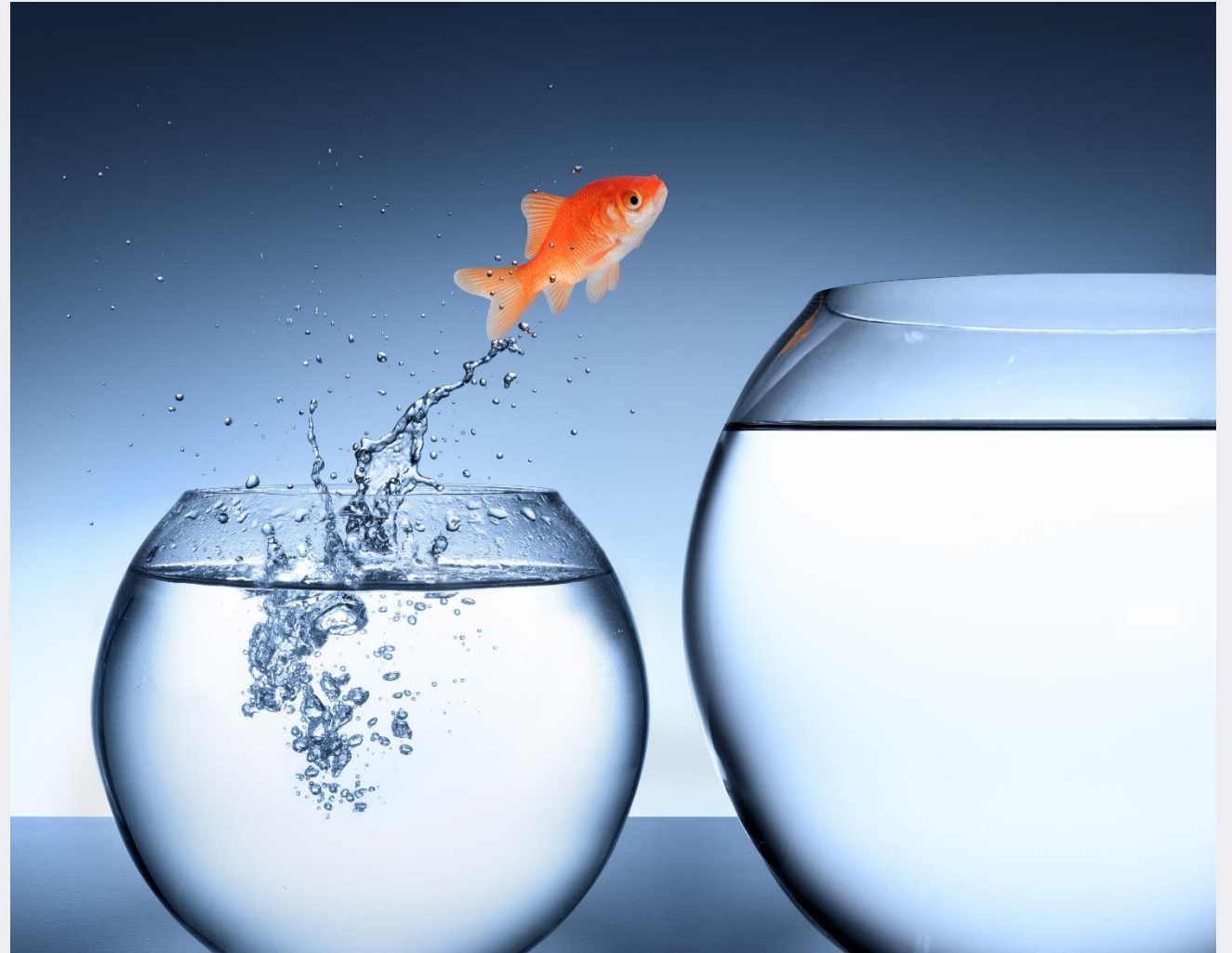
Banking?

Your Leadership Skills?

Business Succession or Acquisition?

Join other business leaders who really get what you are going through!

BE THERE IN BEAUTIFUL QUEBEC CITY



TAKE THE NEXT STEP IN YOUR BUSINESS & CAREER ENHANCEMENT



- A Special Offer for You:
- Earn Your **DFA- Tax or Bookkeeping Services Designation** or
- Become an Executive Coach to Your Business Clients
 - New! **Executive Business Builder Program**
- Or Mark Your Calendar for **DAC** in Quebec City.
- **Take \$300 Off Your Preferred Program Until February 15**
- **New! Training for 1 or 6 - \$265 per month for 18 months**
 - See me for more information

AGENDA, LEARNING MATERIALS & REFERENCES:

March 22, 2017 Budget – Royal Assent December 14, 2017,
October 27, Dec. 13 & 22, 2017 Economic Update, 2017 T1 Tax Return

AGENDA



1. What's New at Finance & CRA?
2. Why That's Important to Your Clients
3. Why That's Important to Bookkeepers

LEARNING MATERIALS



Free Trials:
Knowledge Bureau Report
Any Online Course
KB Income Tax Estimator



Knowledge Bureau®
Excellence in Financial Education

WE ARE PLEASED TO PARTNER WITH

The Intuit logo, consisting of the word "intuit" in a blue, lowercase, sans-serif font, with a registered trademark symbol (®) to the right.

Our Courses Feature Intuit's Powerful Professional Software

What's New?

At Finance Canada

At CRA

On the 2017 T1 Return



CHANGE IS COMING: T1 RETURNS

- **In 2017**
- Public Transit Amount
 - July 1, 2017
 - Ontario – Senior's PTC
- Children's Arts & Fitness Amts.
- Education & Textbook Amts.
- **In 2018**
 - First Time Donor's Tax Credit
 - Family Income Sprinkling
 - Passive Investment Income

- **Potential 2018 Federal Budget Changes?**
 - Basic Personal Amount
 - Non-capital loss carry forward
 - Partial inclusion of Cap. Gains
 - Non-taxation of principal residences
 - Dividend tax credit
 - Age Credit
 - Canada Employment Credit
 - Carrying Charges
 - Child care expenses
 - Disability amount?

PRIVATE CORPORATIONS: NEW TAX ON SPLIT INCOME

EXCEPTIONS: CAPITAL

- “Excluded shares”
 - at least 10% of the votes or value of the private corporation.
- Capital gains
 - on deemed disposition at death
 - Qualifying SBC, farming, fishing enterprises
- Asset transfers on separation or judgement on marriage breakdowns

EXCEPTIONS: INCOME

- “actively engaged” in an “excluded business”
 - during the tax year or any five years at any time in the past
- Retirement income
 - Received by non-active spouse, age 64
 - From active spouse age 65
 - Or as a result of active spouse’s death

TOSI - Additional definitions

THE PARTIES

- **Specified Individual** (Recipient of funds) - Adult resident in Canada
- **Source Individual** (Sprinkler of funds)- adult resident who is related to the specified individual
- **Related Business**
 - that derives all or part of FMV from the corporation owned by source individual

THE SPLIT INCOME

- Taxable dividends - private corps
- Shareholder benefits
- Partnership, corporation or trust income
- Income from indebtedness
- Rental income
- Income from capital gains on disposition of property after 2017
 - Including proprietorships

EXCLUDED BUSINESS: REASONABLE RETURNS

Not Actively Engaged

- Labor Contribution
- Property Contribution
- Risk Assumption
- Total Amounts Previously Paid
 - Salary, benefits,
 - Interest, dividends
 - Proceeds and fees
 - Deemed payments
 - **Any other relevant factors**

Safe Harbour Capital Return – 18-24

- Capital contributed – arm's length capital, **but not**:
 - Money acquired as income, profit or capital gains from disposition of a related business
 - Money borrowed
 - Money transferred by a related individual (except death)
- Returns that avoid TOSI must not exceed prescribed rate.

BEHAVIORIAL FINANCE

- 2015 – tax revenue bump from Canadians who added to income before 33% tax rates
- 2017 – tax revenue bump from Canadians who sprinkled dividends
- 2018 – corporate reorganizations?
- 2019 – inter-provincial competition?

- Underground Economy?



ADDITIONAL TRENDS

- Debt management



- The Rise of Crypto Currencies



WOMEN, NEWCOMERS AND THE ELDERLY



CAREGIVER AMOUNTS

- Canada Caregiver Amount
- “Mini” Credit - \$2150
 - Spouse or minor child
- “Maxi” Credit - \$6883
 - Never claim for minor
- Spouses, eligible dependent
 - No income? Claim both Mini and Maxi
 - Income under \$6902 – claim Mini credit and Spousal Amount
 - Spousal amount under \$4733? Claim Mini & top up Maxi credit
 - No spousal amount? Claim full or partial Maxi credit



DISABILITY TAX CREDITS

T2201 NEEDED

- Disability Supports Deduction
- Enhanced child care expenses
- Disability amount
- Medical expenses – attendant care claims
- RDSP
- RESP
- RRSP HBP
- Certain Trusts

T2091 NOT NEEDED

- Disability supports deduction
- Canada Caregiver amount
- Refundable Medical Expense Supplement
- Preferred Beneficiary Election

TARGETING HIGH INCOMES:

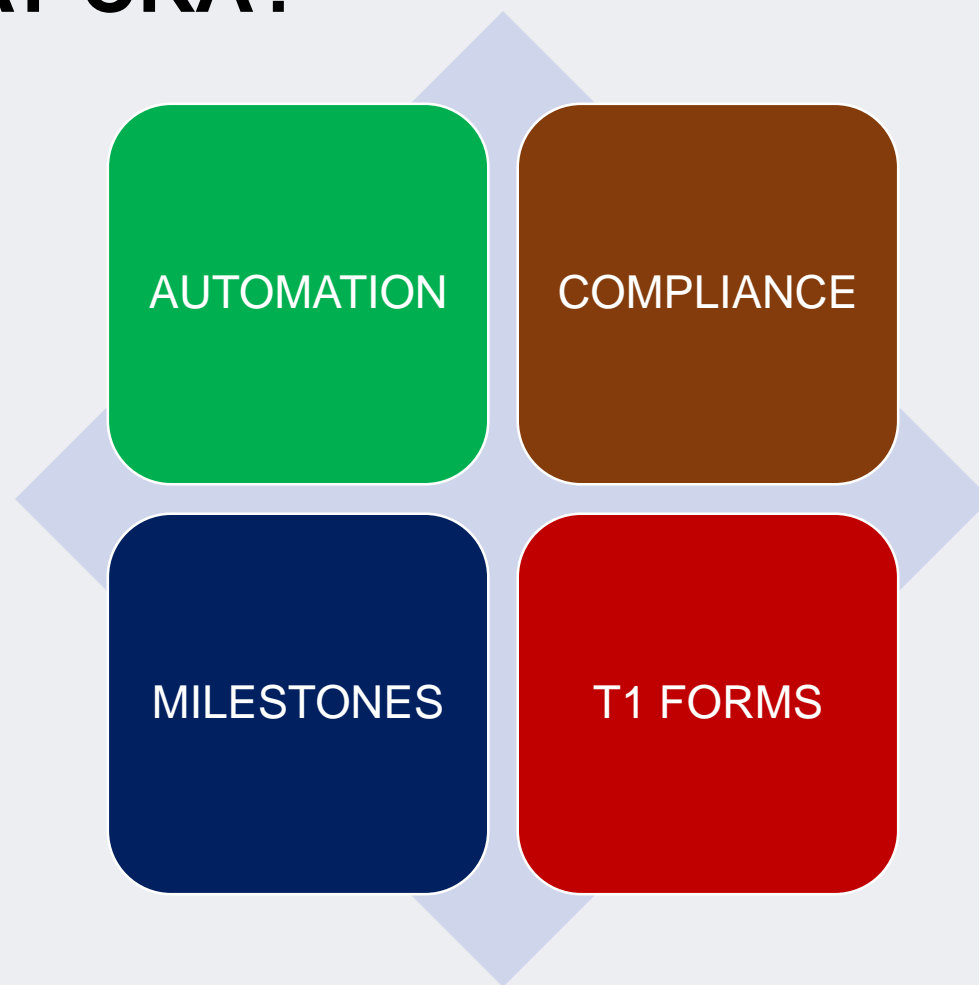
Executive, Professionals, Business Owners, Final Returns

2017 Brackets	2017 Rates	2018 Brackets	2018 Rates
Up to \$11,635	0	Up to \$11,809	0
\$11,636 to \$45,916	15%	\$11,180 to \$46,605	15%
\$45,917 to \$91,831	20.5%	\$46,606 to \$93,208	20.5%
\$91,832 to \$142,353	26%	\$93,209 to \$144,489	26%
\$142,354 to \$202,800	29%	\$144,490 to \$205,842	29%
Over \$202,800	33%	Over \$205,842	33%

TOP RATE TAXES - INDIVIDUALS

- Excess employee profit sharing plan contributions
- Personal services business income
- TOSI
- Donations of ecological gifts to private foundations
- Principal Residence Dispositions
- Home Relocation Loan Deduction
- TFSA, RRSP, RESP, RDSP advantages

WHAT'S NEW AT CRA?



TAX FILING PATTERNS ARE CHANGING



- **24.2 million (86%) of all tax returns were filed electronically in 2017**
- **Only 14% or less than 4 Million on paper.**

AVERAGE TAX REFUND:

\$1735

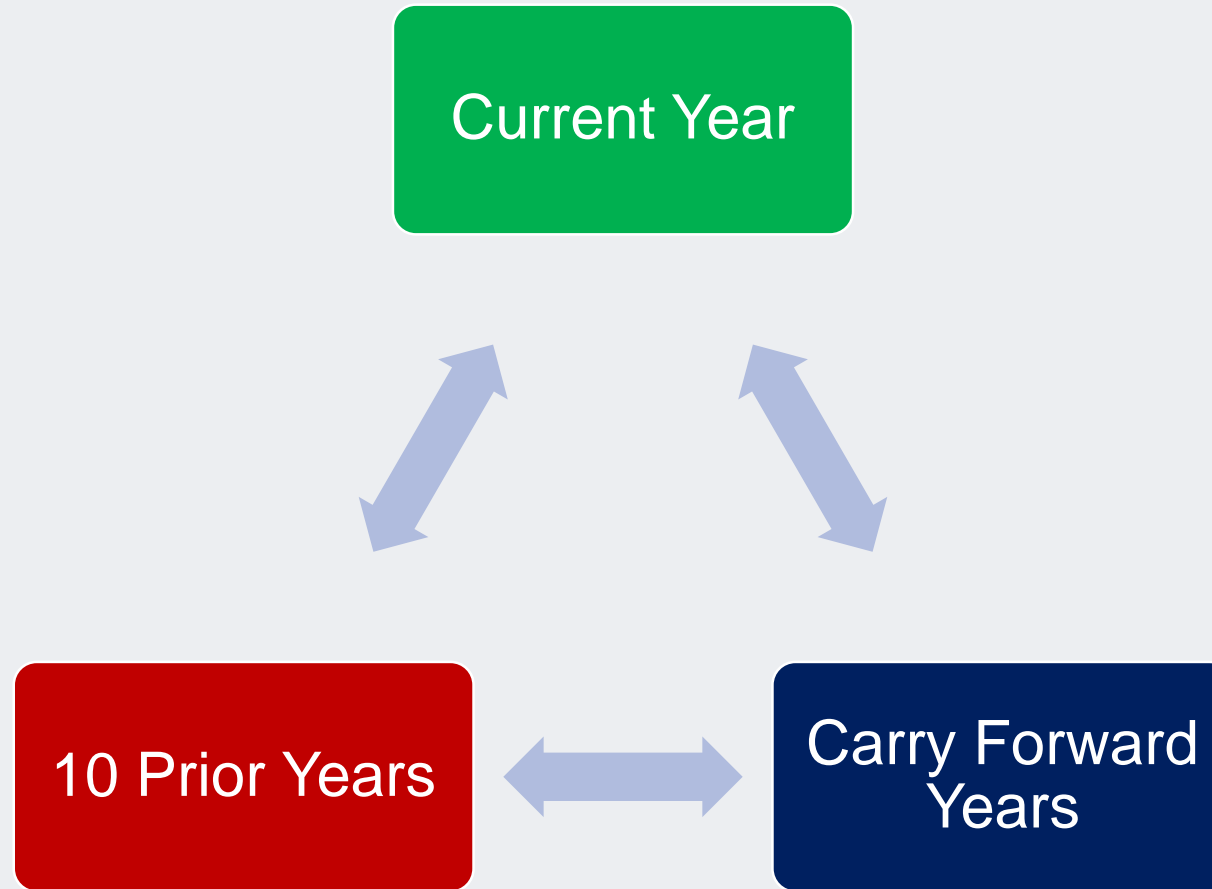
AVERAGE BALANCE OWING:

\$5014

ENFORCEMENT ACTIVITIES

- \$1 Billion Audit Support
- Collections: target – \$7.4 Billion over 5 years
- Penalties
- Voluntary Disclosure Program
 - Old rules expire February 28, 2018
 - New rules start March 1, 2018
- Fairness Requests
- Assessments beyond the normal 3 year period

COMPLIANCE PERIODS



WHAT'S BEING AUDITED?

- **Taxable Benefits**
- Payroll
- GST
- Amounts Paid to Family Members
 - Salary
 - Dividends
 - Capital Gains
 - Interest on Debt

How Can You Help Audit-Proof Your Business Clients?



2017/2018 Canadian Tax Season Due Dates

Tax Type	Tax Period	Form to be Filed	Filing AND Payment Deadline
Interest payment on inter-spousal loans	2017	Bank transaction NOT journal entry	Jan. 30, 2018
T4, T4A , T5 Receipts	2017	T4,T4A,T5 and TSumS	Feb. 28, 2018
RRSP Contribution	2017	Issued by bank/broker	Feb. 28, 2018
T3 Receipts	2017	T3 and T3Sum	Apr. 2, 2018
US Tax Return	2017	Form 1040 or Form 1040NR	Apr. 16, 2018
US assets - FATCA	2017	Form 9838	Apr. 16, 2018
US citizens - FBAR	2017	Form FinCEN Form 114 (formerly TD F 90-22.1)	Apr. 16, 2018
Individual Tax Return	2017	T1	Apr 30, 2018
Self-Employed Tax Return (incl spouse)	2017	T1 (T2125)	FILE-Jun. 15/18 PAY-Apr 30/18
Tax-Free Savings Account (TFSA) Return	2017	RC243	Jul. 2, 2018
Schedule A - Excess TFSA Amounts	2017	RC243-SCH-A	Jul. 2, 2018
Non-Resident Contributions to a Tax Free Savings Account	2017	RC243-SCH-B	Jul. 2, 2018
Corporate Tax Return	2017/18	T2	Click here for details
Construction Payment Reporting System (CPRS)	2017/18	T5018 & T50818 Sum	6 months after end of reporting period

HOW YOU CAN HELP





An investment in knowledge pays the best interest.

- *Benjamin Franklin*

THANK YOU

- **Call Us To Assist Your with your Professional Development**
- DFA-Tax Services Specialist
- DFA-Bookkeeping Services Specialist
- MFA-Business Services Specialist
- Executive Business Builder Program
- DAC & the New Business Builder Retreat



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